

Message Text

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ACTION SS-25

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FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 5139

C O N F I D E N T I A L ROME 0652

EXDIS

FOR ASSISTANT SECRETARY HARTMAN ONLY

E.O. 11652: GDS

TAGS: PFOR, FIN, IT, US

SUBJECT: FEDERAL RESERVE BOARD ACTION ON ITALY

1. THE HIGHEST LEVELS OF THE ITALIAN GOVERNMENT HAVE RECEIVED RUMORS THAT THE FEDERAL RESERVE BOARD IS ABOUT TO ISSUE SOME SORT OF CAUTIONARY ADVISORY INDICATING TO AMERICAN BANKS THAT ITALY IS A POOR RISK AND THE BANKS SHOULD BE CAREFUL OF THEIR EXPOSURE IN THIS COUNTRY. THE ITALIAN AUTHORITIES ARE MOST CONCERNED THAT SUCH A STATEMENT BY THE FEDERAL RESERVE BOARD NOT REPEAT NOT BE ISSUED DURING THE CURRENT PERIOD OF GOVERNMENT CRISIS. (WE WERE TOLD THIS DID NOT INVOLVE THE CONTROLLER OF THE CURRENCY.)

2. I HAVE POINTED OUT TO THE ITALIANS THAT THE FEDERAL RESERVE IS AN INDEPENDENT AGENCY AND THAT CHAIRMAN BURNS HAS STATUTORY RESPONSIBILITIES IN THIS AREA WHICH HE MUST CARRY OUT. I UNDERTOOK, HOWEVER, TO TRY TO ASCERTAIN WHETHER THESE RUMORS WERE IN FACT CORRECT AND WHETHER AN ANNOUNCEMENT IS IMMINENT.

3. FOR THE REASONS WHICH YOU KNOW VERY WELL, IT WOULD BE A HARD BLOW TO THE DEMOCRATIC FORCES IN THIS COUNTRY IF A U.S. GOVERNMENT INSTITUTION WERE TO GO ON RECORD IN THIS NEGATIVE WAY AT THIS PARTICULAR MOMENT. IF THE FEDERAL RESERVE BOARD IS REQUIRED TO ISSUE SUCH AN ADVISORY ABOUT ITALY, IS THERE
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ANY LATITUDE ON THE TIMING OF SUCH A STATEMENT? IF THERE IS

I STRONGLY URGE THAT THE ISSUANCE BE DELAYED FOR A PERIOD OF
PERHAPS A MONTH OR TWO, IN ORDER TO AVOID CREATING FURTHER
TROUBLES FOR THE CHRISTIAN DEMOCRATS IN PARTICULAR.

4. I WOULD APPRECIATE EARLY ADVICE ON THIS MATTER. VOLPE

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